

Beginning Farmer Tax Credit Act

Beginning Farmer Program



**Sixth Annual Report
July 2004 - June 2005**

**Nebraska Department of Agriculture
Beginning Farmer Program**

ANNUAL REPORT

Beginning Farmer Program and Tax Credit Act
July 1, 2004 - June 30, 2005

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*Beginning
Farmer
Program
and
Tax Credit
Act*

Board of Directors

Beginning Farmer Program



A Message

From the

Board President

It has been my privilege to continue serving as Chairman of the Beginning Farmer Board this past fiscal year. I enjoy working with fellow board members and staff of the Nebraska Department of Agriculture, all of whom share a concern about the future of agriculture.

Our board met four times this past year. We take great pleasure in approving the eligibility of an agricultural asset owner to receive a tax credit because of a lease agreement with a beginning farmer. We only wish we were approving more leases to beginning farmers.

We have had several interesting discussions at board meetings regarding the future of agriculture and particularly the future of beginning farmers. Fewer and fewer beginning farmers are entering agriculture and, as a result, much of the farmland is being further concentrated into the hands of fewer and larger farmers. This trend adds to the depopulation problems occurring in many rural communities throughout Nebraska.

We are attempting to make sure more asset owners and beginning farmers are aware of our program. Hopefully the legislature will approve the changes to the Beginning Farmer Act that have been recommended by our board. In our opinion, these changes are needed in order to improve participation and make the Beginning Farmer Program an even better program

Sincerely,

Dale E. Pohlmann, Chairman
Beginning Farmer
Board of Directors

Administrative Notes

Beginning Farmer issues have been a topic of discussion at most of the “Listening Sessions” held by Mike Johannes, Secretary of Agriculture. The same concerns seem to be in all states. Following are some comments printed in the USDA Webb Page, Farm Bill Forums/Farm Bill 2007 Comments Reading Room:

- “New farmers need help with startup costs and price support. In the end, will American agriculture be competitive with global agriculture . . . not unless the Farm Bill becomes less of a program bill and more of a monetary support bill.” - Virginia farmer.
- “The only way I know to recruit new farmers would be to give them tax breaks or discount prices on goods important to farming.” Rice farmer
- “Providing incentives to landowners who rent or sharecrop their ground with young farmers would help.” - Illinois farmer
- “Lower payment caps per farmer. High cash rents keep beginning farmers out, not land prices.” Minnesota farmer

These are the same issues I hear in Nebraska! The Nebraska Legislature took an innovative step when they developed the Beginning Farmer Tax Credit Act to offer an incentive to help new farmers and ranchers get a start. It has worked well for the beginning farmers and the owners of agricultural assets who have enrolled in the program.

The asset owners feel a great pride when they talk about their beginning farmer! They want them to succeed and many times are willing to go the extra mile so they can. The proposed legislative changes will be carried forward to the next legislative session and again this year, I encourage you to talk to your Legislator to let them know what you would like to see in the bill and how it is important to you.

Marian Beethe,
Program Administrator

Members of the Board of Directors

Name	Representing	Contact Information
Greg Ibach	Director Nebraska Department of Agriculture	P.O. Box 94947 Lincoln, NE 68509-4947 (402) 471-2341
Marian Beethe (Designee)	Beginning Farmer Program Administrator Nebraska Department of Agriculture	P.O. Box 94947 Lincoln, NE 68509-4947 (402) 471-2341
Mary Jane Egr	Tax Commissioner Nebraska Department of Revenue	P.O. Box 94818 Lincoln, NE 68509-4818 (402)471-5604
Dave Dearmont (Designee)	Research Division Nebraska Department of Revenue	P.O. Box 94818 Lincoln, NE 68509-4818 (402)471-5604
Dr. Darrell Mark	Academic Community Extension Agricultural Economist, Department of Agricultural Economics	UNL East Campus 303A Filley Hall Lincoln, NE 68583 (402) 472- 1796
Dale Pohlmann	Agricultural Lender, President of the Board	P.O. Box 40 Ravenna, NE 68869
Bert Garvin	Producer, District 1	RR 2 218-A Pierce, NE 68767 (402) 329-6204
Timothy Schram	Producer, District 2	14602 South 234 th Street Gretna, NE 68028 (402) 332-3625
Don Anthony	Producer, District 3	43970 Road 758 Lexington, NE 68850 (308) 324-4381

Staff Member

Marian Beethe	Program Administrator	P. O. Box 94947 Lincoln, NE 68509-4947 (402) 471-6890
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Beginning Farmer Board Meetings

July 1, 2003 - June 30, 2004

Meeting Date	Members Attending	Guests Attending	Staff Attending
August 20, 2004	Dave Dearmont Dale Pohlmann Don Anthony Bert Garvin Dr. Darrell Mark	Dave Goeller, <i>Transition Specialist, UNL Extension Service</i> Michael Holton, <i>Center For Rural Affairs</i> Jon Bailey, <i>Center For Rural Affairs</i> Amanda Tuttle, <i>Center For Rural Affairs</i>	Marian Beethe Pam Wurdeman
November 10, 2005	Dave Dearmont Dale Pohlmann Don Anthony Bert Garvin	Michael Holton, <i>Center For Rural Affairs</i> Amanda Tuttle, <i>Center For Rural Affairs</i> Dudley Beyer, <i>Nebraska Investment Finance Authority</i> Rick Leonard <i>Research Analyst for State Senator Kremer</i>	Marian Beethe Pam Wurdeman
February 8, 2005	Dave Dearmont Dr. Darrell Mark Dale Pohlmann	Robert Jedlicka, <i>Farm Service Agency</i> Rod Johnson, <i>Nebraska Pork Producers Association</i>	Marian Beethe Pam Wurdeman
April 6, 2005	Dave Dearmont Dale Pohlmann Don Anthony Bert Garvin	James Peterson, <i>Extension Educator</i>	Marian Beethe Pam Wurdeman

Financial Report

Beginning Farmer Program



**Beginning Farmer Tax Credit Act
Financial Report
July 1, 2004 - June 30, 2005**

Account Code Description	Budgeted Amount	Year-To- Date	% of Budget	Variance- Favorable (Unfavorable)
<u>510000 Personal Services</u>				
511100 Permanent Salaries-Wages	\$2,275.00	\$1,871.18	82.25	\$ 403.82
512100 Vacation Leave Expense	0.00	221.84	0.00	(221.84)
512200 Sick Leave Expense	0.00	68.27	0.00	(68.27)
<u>512300 Holiday Leave Expense</u>	<u>0.00</u>	<u>113.75</u>	<u>0.00</u>	<u>(113.75)</u>
<u>Personal Services Subtotal</u>	<u>\$2,275.00</u>	<u>\$2,275.04</u>	<u>100.00</u>	<u>(\$.04)</u>
515100 Retirement Plans Expense	164.00	163.36	99.61	.64
515200 OASDI Expense	174.00	159.16	91.47	14.84
515400 Life & Accident Ins. Exp.	1.00	.82	82.00	.18
515500 Health Ins. Exp.	362.00	378.75	104.63	(16.75)
<u>516500 Worker Comp Premiums</u>	<u>554.00</u>	<u>33.46</u>	<u>6.04</u>	<u>520.54</u>
<u>Major Account 4100 Total</u>	<u>\$3,530.00</u>	<u>\$3,010.59</u>	<u>85.29</u>	<u>\$ 519.41</u>
<u>520000 Operating Expenses</u>				
521100 Postage Expense	157.88	92.16	58.37	65.72
521200 Com. Exp - Voice/Data	185.00	0.00	0.00	185.00
521400 Data Processing Expense	300.00	0.00	0.00	300.00
521500 Publication and Print Exp.	683.29	701.10	102.61	(17.81)
522100 Dues & Subscription Exp.	0.00	500.00	0.00	(500.00)
522200 Conference Registration	0.00	75.00	0.00	(75.00)
534900 Misc. Supplies Expense	5.00	1.49	29.80	3.51
<u>541100 Acctg. & Auditing Services</u>	<u>0.00</u>	<u>11.98</u>	<u>0.00</u>	<u>(11.98)</u>
<u>Major Account 520000 Total</u>	<u>\$1,331.17</u>	<u>\$1,381.73</u>	<u>103.80</u>	<u>(\$ 50.56)</u>

570000 Travel Expense

571100 Board & Lodging	65.00	328.11	504.78	(263.11)
571600 Meals - Not Travel Status	10.00	155.41	1,554.10	(145.41)
571900 Meals - One Day Travel	38.37	13.37	34.84	25.00
572100 Commercial Transportation	0.00	550.78	0.00	(550.78)
575100 Personal Vehicle Mileage	1,102.90	1,569.22	142.28	(466.32)
<u>575100 Misc. Travel Expense</u>	<u>55.00</u>	<u>91.86</u>	<u>167.02</u>	<u>(36.86)</u>

<u>Major Account 570000 Total</u>	<u>\$1,271.27</u>	<u>\$2,708.75</u>	<u>213.07</u>	<u>(\$1,437.48)</u>
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<u>Budgeted Expenditures Total</u>	<u>\$6,132.44</u>	<u>\$7,101.07</u>	<u>115.80</u>	<u>(\$ 968.63)</u>
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<u>Program Expenditures Total</u>	<u>\$6,132.44</u>	<u>\$7,101.07</u>	<u>115.80</u>	<u>(\$ 968.63)</u>
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Beginning Farmer Program Participation

Beginning Farmer Program



Participation

The need to provide an incentive for land and other agricultural asset owners to help beginning farmers get their start is still there. The current statistics from the 2002 Census show the average age for the farmer is 55.3 years of age for all states and 53.9 years of age for Nebraska. If this trend continues at the same rate it has been growing, the average Nebraska farmer will be 55.2 years of age in 2007 and 56.6 in 2012.

During the 2004 interim, the legislature began a study to determine possible changes to the Beginning Farmer Income Tax Credit Act. The Legislative Agriculture Committee sponsored a bill to increase the benefit to the asset owner; expand the definition of qualified asset owner; provide a tax credit for the beginning farmer to reimburse the cost of the required financial management class up to \$500 during the three-year participation in the tax act; increase the net worth qualification for the beginning farmer to \$200,000; remove the requirement for the Board to approve the nutrient management plan and soil conservation plan; and to decrease the number of Board meetings per year. Due to a very busy Legislative schedule, the bill will be carried over to the 2006 session.

Even without the proposed changes, the program has continued at a steady pace of participation. Since 2002, there has been an average of 11.5 beginning farmers and 14.3 asset owners declared eligible per year. If the six cases in pending are approved, this year's participation will be above the average with 13 beginning farmers and 16 asset owners. That would also increase the 56 cases declared eligible this year to 62 cases. The number of participants and cases may even be higher for the 2005 tax year if additional applications are received and approved.

Marketing the Beginning Farmer Program has been severely limited due to the budget cuts the last two years. This was clearly brought out in one of the Governor's listening sessions by a representative of a state youth group. When the Governor asked what the youth would like to see implemented to help the youth get into farming, he described a tax credit similar to the Beginning Farmer Tax Credit Act. The youth was surprised to learn that Nebraska already had a tax credit act in place. We need to reach more people about the Beginning Farmer Program and what it could mean to them. New brochures and targeted marketing campaigns to the youth and other specific groups of people are needed. We continue to look for ways to accomplish this goal given our current budget situation.

Participant Statistics

As Reported for the Fiscal Year

Fiscal Year Participation	07-01-00 to 06-30-01	07-01-01 to 06-30-02	07-01-02 to 06-30-03	07-01-03 to 06-30-04	07-01-04 to 06-30-05	Totals
Number of Cases (Application Packets From Beginning Farmers and Asset Owners) See #1 below.	<i>5</i>	<i>20</i>	<i>19</i>	<i>11</i>	<i>12</i>	<i>67</i>
Number of Beginning Farmers Declared Eligible. See #2 below.	<i>1</i>	<i>13*</i>	<i>18*</i>	<i>8*</i>	<i>7</i>	<i>47*</i>
Number of Asset Owners Declared Eligible. See #3 below.	<i>1</i>	<i>15*</i>	<i>20*</i>	<i>12*</i>	<i>10</i>	<i>58*</i>
Number of Cases Declared Eligible.	<i>1</i>	<i>14</i>	<i>20</i>	<i>12</i>	<i>9</i>	<i>56</i>
Number of Cases Declared Ineligible.	<i>2</i>	<i>0</i>	<i>3</i>	<i>0</i>	<i>0</i>	<i>5</i>
Number of Cases In Pending.	<i>3</i>	<i>5</i>	<i>1</i>	<i>3</i>	<i>6</i>	<i>XXX</i>

1. Cases - An application packet that has been sent in with applications completed by the owner of agricultural assets and/or the beginning farmer.
2. Beginning Farmers - Each individual who is qualified as a beginning farmer is counted once. A beginning farmer may have more than one contract with one or more asset owners, but will be counted only once.
3. Agricultural Asset Owner - Each individual, partnership or corporation who is qualified as an asset owner is counted once. An asset owner may have more than one contract with one or more beginning farmers, but will be counted only once.

*An agricultural owner may rent to more than one beginning farmer and a beginning farmer may rent from more than one agricultural owner. Therefore, the number of owners and beginning farmers may not be the same.

Participant Statistics

As Reported for the Tax Year

Participation Per Tax Year	Tax Year 2001 Amount Paid	Tax Year 2002 Amount Paid	Tax Year 2003 Amount Paid	Tax Year 2004 Amount paid	Tax Year 2005 Contracted by 6-30-05
Total Tax Credits Rec'd By Owners.	\$ 26,612	\$ 47,952	\$ 75,040	\$ 62,314	\$ 44,573
Total Rent Paid By Beginning Farmers.	\$ 532,250	\$ 959,034	\$ 1,500,794	\$ 1,246,288	\$ 891,466
Average Tax Credit Rec'd. By Owner.	\$ 2,419	\$ 1,713	\$ 1,631	\$ 1,326	\$ 1,393
Average Rent Paid By Beginning Farmer.	\$ 53,225	\$ 39,960	\$ 38,482	\$ 42,975	\$ 35,659
Number of Owners Receiving Tax Credits. See # 1 Below.	11*	28*	46*	47*	32*
Number of Beginning Farmers Paying Rent. See # 2 Below.	12*	24*	38*	36*	25*
# of Cases per tax year. See #3 Below.	11	27	44	46	33

1. Agricultural Asset Owner - Each individual, partnership or corporation who is qualified as an asset owner is counted once. An asset owner may have more than one contract with one or more beginning farmers, but will be counted only once.
2. Beginning Farmers - Each individual who is qualified as a beginning farmer is counted once. A beginning farmer may have more than one contract with one or more asset

owners, but will be counted only once.

3. Cases - An application packet that has been sent in with applications completed by the owner of agricultural assets and the beginning farmer who have signed a three-year rental agreement that qualifies for the tax credit
4. The numbers in this column will change due to the acceptance of additional applications that have been signed and dated prior to the end of the owner's tax year.

*An agricultural owner may rent to more than one beginning farmer and a beginning farmer may rent from more than one agricultural owner. Therefore, the number of owners and beginning farmers may not be the same.

Program Inquires

Number of Inquiries Made to the Beginning Farmer Program

Inquiries Made By:	August 1, 1999 to June 30, 2000	July 1, 2000 to June 30, 2001	July 1, 2001 to June 30, 2002	July 1, 2002 to June 30, 2003	July 1, 2003 to June 30, 2004	July 1, 2004 to June 30, 2005	Totals
Beginning Farmers	3	63	83	95	122	112	478
Asset Owners	8	15	53	97	43	28	244
Organizations or Businesses	4	21	53	27	33	14	152
Yearly Totals	15	99	189	219	198	154	874

A map of Nebraska showing its 93 counties, each labeled with a number representing its congressional district. The map is oriented with North at the top. The counties and their district numbers are as follows:

- Northwest:** DAVES (1), SHERIDAN (1), SIOUX (1), BOX BUTTE (1), MORRILL (1), BANNER (1), KIMBALL (1).
- West:** CHERRY (1), GRANT (1), HOOKER (1), THOMAS (1), LOGAN (1), MC PHERSON (1), ARTHUR (1), GARDEN (1), CHEYENNE (1), DEUEL (1).
- Central:** KEYA PAHA (1), BOYD (2), BROWN (1), ROCK (1), BLAINE (1), LOUP (1), CUSTER (1), VALLEY (1), SHERMAN (1), HOWARD (1), GREELEY (1), BOONE (1), NANCE (1), PLATTE (2), COLFAX (3), BUTLER (3), POLK (3), MERRICK (3), HAMILTON (3), CLAY (3), THAYER (3), NUCKOLLS (4), WEBSTER (4), FRANKLIN (1), HARLAN (1), FURNAS (2), RED WILLOW (1), HITCHCOCK (1), DUNDY (2), CHASE (2), PERKINS (1), KEITH (2), LINCOLN (2), LOGAN (1), MC PHERSON (1), ARTHUR (1), GARDEN (1), CHEYENNE (1), DEUEL (1).
- East:** KNOX (1), CEDAR (2), DIXON (2), DAKOTA (2), THURSTON (1), WAYNE (1), PIERCE (2), ANTELOPE (2), MADISON (1), STANTON (1), CUMING (3), BURT (1), DODGE (3), WASHINGTON (3), DOUGLAS (3), SARDY (3), SAUNDERS (3), SEWARD (3), YORK (2), FILLMORE (3), SALINE (2), JEFFERSON (1), THAYER (3), NUCKOLLS (4), WEBSTER (4), FRANKLIN (1), HARLAN (1), FURNAS (2), RED WILLOW (1), HITCHCOCK (1), DUNDY (2), CHASE (2), PERKINS (1), KEITH (2), LINCOLN (2), LOGAN (1), MC PHERSON (1), ARTHUR (1), GARDEN (1), CHEYENNE (1), DEUEL (1).
- South:** OTOE (2), JOHNSON (2), NEMAHA (2), RICHARDSON (2), PAVNEE (2), LANCASTER (1), GAGE (1), CLAY (3), THAYER (3), NUCKOLLS (4), WEBSTER (4), FRANKLIN (1), HARLAN (1), FURNAS (2), RED WILLOW (1), HITCHCOCK (1), DUNDY (2), CHASE (2), PERKINS (1), KEITH (2), LINCOLN (2), LOGAN (1), MC PHERSON (1), ARTHUR (1), GARDEN (1), CHEYENNE (1), DEUEL (1).

Promotional Activities

Beginning Farmer Program



Outreach Activities

The Beginning Farmer Display Booth was staffed at the following events and trade shows during this fiscal year. Marian Beethe gave talks about the Beginning Farmer Program at the Nebraska Farm Exposition in Columbus and the Nebraska State Fair Agricultural Building in Lincoln.

- Nebraska State Fair, Lincoln, Agricultural Building, August 27-September 6, 2004
- Husker Harvest Days in Grand Island, September 14, 15, & 16, 2004
- Women In Ag Conference in Kearney, September 16-17, 2004
- Gateway Farm Exposition in Kearney, November 17-18, 2004
- Public Health Association of Nebraska in Grand Island, September 23-24, 2004
- Nebraska Farm Bureau Convention in Kearney, December 5, 6, & 7, 2004
- Nebraska Cattlemen's Association Meeting in Kearney, December 7 - 8, 2004
- Nebraska Farm Exposition in Columbus, January 11-13, 2005
- 2004 Governor's Agricultural Conference in Kearney, March 4, 2005

Chairmen Dale Pohlmann, testified for the Board of Directors at the **Nebraska Legislature Agriculture Committee Hearing** on LR 303 to review the Beginning Farmer Tax Credit Act on September 10, 2004. The Board's suggested improvements included: (1) Increasing the maximum net worth requirement from \$100,000 to approximately \$200,000; (2) Expanding the tax credit from 5% to 10% for the owner; (3) Expanding the qualifications of the asset owner to allow the widow/widower of the farm owner and the children who have inherited a farm to participate in the program; (4) Consideration should be given to allow non-farming investors in agricultural assets to be eligible for the program; (5) Encourage the Agricultural Committee to not give monetary incentives to the beginning farmer at this time due to budget constraints; and (6) Discontinue the need for a nutrient plan and soil conservation plan for the beginning farmer because it is already handled by the Farm Service Agency. Legislative Bill 303 was selected as a second priority bill by the Agricultural Committee. Due to other business, the bill was not brought forward to the delegation for discussion. It will be carried over for the next session.

Marian Beethe provided an informative program about the Farm Mediation and Beginning Farmer Programs on November 4, 2004, for the **2004 LEAD** participants in a Nebraska rural leadership program.

On December 16, 2005, Rod Johnson, Director of the **Nebraska Pork Producers**, called together several leaders from livestock and agriculture groups to look into what could be done collectively to encourage beginning farmers. Merlyn Carlson, Director of the Nebraska Department of Agriculture and Marian Beethe attended this meeting.

Outreach Activities, Continued:

A press conference was held in Lincoln on June 7, 2005, to announce a new pilot project, **Farm Beginnings TM**, to begin at Syracuse, Nebraska in November 2005. It is sponsored by the Nebraska Sustainable Agriculture Society, Center For Rural Affairs, University of Nebraska Lincoln Extension, and Nebraska Department of Agriculture. Farm Beginnings TM was first developed in Minnesota and has been very successful there. The program has nine sessions and was designed for beginners and experienced farmers to have an opportunity to set goals to insure a quality of life and develop business plans to maintain profitability. Much of the success of this program is credited to the farmer instructors, who have lived and succeeded in their farming operations. Continued training is available in a mentor program that pairs participants with cooperating farmers to provide long-term support and advice. Qualified persons who complete the course may be eligible for zero-interest, revolving livestock loans through the Heifer International program. The course also satisfies the Gold Medal Management training required by USDA's Beginning Farmer Loan Program and the financial training required by the Beginning Farmer Tax Credit Act.

The **National Farmers in Transition Conference** in Pennsylvania June 12-14, 2005, was attended by several people, including Marian Beethe, as well as Dave Goeller from the University of Nebraska Lincoln Extension, and John Bailey and Amanda Tuttle from the Center for Rural Affairs. The conference highlighted all different types of Beginning Farmer programs throughout the United States as well as provided educational tours and workshops.

Farming With Today's Technologies was the theme of a workshop offered to Nebraska farmers and ranchers on June 20, 2005, by Nebraska Legal Aid, Nebraska Farm Hotline, and the Nebraska Farm Mediation Program with the help of a grant from The Risk Management Agency. Several breakout sessions were of special interest to beginning farmers. Beethe sent workshop information to all the beginning farmers enrolled in the Department of Agriculture's Beginning Farmer Program.

The **United States Department of Agriculture's Beginning Farmer and Rancher Advisory Committee** met on August 8-9, 2005, in Omaha, Nebraska. The two-day meeting offered the public the opportunity to listen to the committee's deliberations and air comments and concerns on beginning farmer issues. "This meeting is a valuable opportunity for citizens to help shape future opportunities for America's beginning farmers and ranchers," said USDA Farm Service Agency (FSA) Administrator James R. Little. Beethe attended as member of this committee and participated in the discussion and selection of the beginning farmer and rancher issues to be brought to the attention of the Secretary of Agriculture, Mike Johannes.

The Nebraska Department of Revenue and the Nebraska Department of Agriculture updated their web sites with new information on the Beginning Farmer Program.

Logo

Beginning Farmer Program



The Logo was developed during the first year of the program to indicate the benefits of beginning farmers and owners of agricultural assets working together with their SHARED STRENGTH in agriculture to BUILD A FUTURE for themselves and Nebraska. It has been used on brochures, stationary, reports, trade show displays, etc. Most of the editors of the published news articles have chosen to include a copy of the logo with the story. The logo gives easy program identification.